

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **St. Ansgar State Bank, St. Ansgar, Iowa** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **February 26, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.

INSTITUTION'S RATING: This institution is rated **Satisfactory**.

St. Ansgar State Bank generally promotes economic revitalization and growth, consistent with its size, financial capacity, location, and assessment area's current economic conditions. The bank's efforts are accomplished primarily through the origination of small business and farm loans, real estate loans, and consumer loans. The bank's loan-to-deposit ratio supports these efforts. The majority of the bank's loans are originated within the assessment area and are reasonably distributed geographically and among applicants of different income levels. Management has developed adequate policies, procedures, and training programs supporting nondiscrimination in lending and credit activities. The examination revealed no patterns or practices intended to discriminate or discourage any protected class. Finally, there were no complaints received by the bank regarding their performance under the CRA since the previous examination. The board and senior management are advised to review the examiner's comments under each performance criterion.

The following table indicates the performance level of **St. Ansgar State Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	ST. ANSGAR STATE BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received since the previous examination		

DESCRIPTION OF INSTITUTION

St. Ansgar State Bank, with total assets of \$73.2 million as of December 31, 1995 is a subsidiary of St. Ansgar Bancorporation, a one bank holding company. The bank operates its main facility in St. Ansgar and maintains a branch facility in Stacyville. The bank operates one automatic teller machine (ATM), which is located at the office in St. Ansgar.

The bank's primary competitors include: The Home Trust & Savings Bank, in Osage; First Citizens National Bank, Osage branch; Cedar Valley State Bank, in St. Ansgar; Farmers State Bank, Plymouth branch; and the Farm Credit Services office located in Osage.

The bank considers itself an agricultural lender based on an analysis of the Uniform Bank Performance Report (UBPR) discussed later in this report. However, a significant portion of the bank's peer group loans are distributed in residential real estate, commercial, and industrial lending. This indicates a need within the community for these types of loans. In addition, discussions with contacts within the community supported the need for residential real estate products. The bank has addressed this need by increasing residential real estate loan originations, at a rate which is 2% greater than the bank's peer group, since December, 1992.

There are no apparent factors relating to the bank's financial condition and size, products offered, prior performance, legal impediments or local economic conditions that would prevent the bank from meeting various credit needs of the community.

St. Ansgar State Bank operates in the northwest portion of Mitchell County. Mitchell County is divided into three block numbering areas. (BNA's) The bank has designated two of those BNA's as their assessment area. The assessment area, defined by these two BNA's, approximates a triangular shaped portion of the county. St. Ansgar State Bank's business originates primarily from the BNA where the bank's main office is located and to a lesser extent from the BNA where its branch is located. These areas contain the majority of the population and area of the county.

Both BNA's in the bank's assessment area are considered middle-income. According to 1990 U.S. census data and the Federal Reserve Bank's Community Lending Analysis System (CLAS) data, Mitchell County has a population of 10,928 while the bank's assessment area has a population of 7,247. Minorities represent 0.6% of the population of the bank's assessment area. There are no designated minority areas in or around the bank's assessment area. Approximately 20.7 percent of the assessment areas population are designated low-income and 16.4 percent are designated moderate-income. There are no minorities designated

as low-income or moderate-income in the bank's assessment area. The median family income is \$29,719 and the median age of housing stock is 56 years. In 1990, the median home value was \$31,319. Additionally, the bank's assessment area contains 2,811 housing units of which, 73.5% (2,066) are owner-occupied.

The bank's lending territory is comprised primarily of livestock and row-crop farm operations. Demographic data and discussions with various community contacts confirm that the primary industry within the bank's assessment area is agriculture and agricultural related businesses. The major employers located within the cities that the bank has offices are as follows:

Employer	# Employed	Product\Service
Grain Millers Inc. (Iowa)	70	Cereal Grain Milling
St. Ansgar Mills Inc.	19	Livestock feed and grain
Falk Construction Co., L.R.	32	Ag limestone, crushed stone & gravel
Wold Rim & Wheel Service	23	Ag wheels, specialty steel parts
Stacyville CO-OP Co.	22	Feed, fertilizer, grain, seed, chemicals & lumber

According to the Labor Market Information Division of the Iowa Department of Employment Services, unemployment in Mitchell County was 4.9% compared to an unadjusted state unemployment rate of 4.2% for January, 1996.

Discussions with community contacts revealed that the St. Ansgar is currently experiencing a housing shortage. Population increases created from expanding industry and a lower cost of living, combined with little new housing development have accounted for the shortage. The city has taken measures to encourage new construction such as expanding the city limits and earmarking this area for new construction. The population growth, combined with increasing tourism business, has created start up businesses, primarily retail (antiques, arts and crafts).

Since the previous examination, the bank has revised its assessment area to consist of one or more contiguous political subdivisions, to contain all geographies where it has offices or deposit-taking ATMs, and to consist of only whole BNAs. In addition, the assessment area does not reflect illegal discrimination and does not arbitrarily exclude any low-income or moderate-income areas and appears to meet the requirements of the regulation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Management has developed adequate policies, procedures, and training programs supporting nondiscrimination in lending activities. The examiners review revealed, the institution is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and the Fair Housing Acts.

Loan-To-Deposit Ratio Analysis

The bank's average quarterly loan-to-deposit ratio since the previous examination is 68.93%.

According to the Uniform Bank Performance report dated September 30, 1995, the bank's loan-to-deposit ratio exceeded its peers average, which was 62.76%.

No complaints were received by the institution regarding the CRA performance since the previous examination.